

Financial Statements of

**Saskatchewan Association of Health Organizations
Out-of-Scope Extended Health/Enhanced Dental Plan**

December 31, 2010





Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Phone: (306) 787-6398
Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet E-mail: info@auditor.sk.ca

SASKATCHEWAN

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Saskatchewan Association of Health Organizations

I have audited the accompanying financial statements of Saskatchewan Association of Health Organizations Out-of-Scope Extended Health/Enhanced Dental Plan (Plan), which comprise the statement of financial position as at December 31, 2010 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
May 19, 2011

Bonnie Lysyk, MBA, CA•CIA
Provincial Auditor



Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Phone: (306) 787-6398
Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet E-mail: info@auditor.sk.ca

SASKATCHEWAN

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Saskatchewan Association of Health Organizations Out-of-Scope Extended Health/Enhanced Dental Plan (Plan), which comprise the statement of financial position as at December 31, 2010 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
May 19, 2011

Bonnie Lysyk, MBA, CA-CIA
Provincial Auditor


**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
OUT-OF-SCOPE EXTENDED HEALTH/ENHANCED DENTAL PLAN
Statement of Financial Position
As at December 31**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 5,000	\$ 24,160
Short term investments (Note 3)	4,508,565	3,712,608
Contributions and other receivable (Note 3,5)	1,054,341	770,261
TOTAL ASSETS	<u>5,567,906</u>	<u>4,507,029</u>
LIABILITIES AND NET ASSETS		
Accounts payable (Note 5)	25,570	12,287
Deferred contributions	167,841	317,588
Total Liabilities	<u>193,411</u>	<u>329,875</u>
Net Assets	<u>5,374,495</u>	<u>4,177,154</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,567,906</u>	<u>\$ 4,507,029</u>

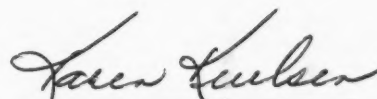
Contingency (Note 6)

See accompanying notes

On behalf of the SAHO Board of Directors:



Director



Director

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
OUT-OF-SCOPE EXTENDED HEALTH/ENHANCED DENTAL PLAN**

Statement of Operations and Net Assets

For the year ended December 31

	<u>2010</u>	<u>2009</u>
REVENUES		
Employers and employees contributions (Note 5)	\$ 5,325,044	\$ 5,041,493
Interest	26,428	15,801
Total Revenues	<u>5,351,472</u>	<u>5,057,294</u>
EXPENSES		
Health and dental premiums	4,022,405	3,710,862
Administrative expenses	85,373	75,275
Consulting fees	40,338	25,217
Professional fees	6,015	5,420
Total Expenses	<u>4,154,131</u>	<u>3,816,774</u>
Increase to Net Assets	1,197,341	1,240,520
NET ASSETS, BEGINNING OF YEAR	<u>4,177,154</u>	<u>2,936,634</u>
NET ASSETS, END OF YEAR	<u>\$ 5,374,495</u>	<u>\$ 4,177,154</u>

See accompanying notes

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
OUT-OF-SCOPE EXTENDED HEALTH/ENHANCED DENTAL PLAN
Statement of Cash Flows
For the year ended December 31**

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Contributions received	\$ 5,123,431	\$ 5,213,374
Health and dental premiums paid	(4,254,619)	(4,225,815)
Administrative and professional expenses paid	(114,362)	(104,830)
Net cash flows from operating activities	<u>754,450</u>	<u>882,729</u>
INVESTING ACTIVITIES		
Withdrawals from investment fund	4,368,981	4,376,890
Interest	26,428	15,801
Purchase of short term investments	(5,169,019)	(5,256,560)
Net cash flows used in investing activities	<u>(773,610)</u>	<u>(863,869)</u>
Net (decrease) increase in cash	(19,160)	18,860
CASH, BEGINNING OF YEAR	<u>24,160</u>	<u>5,300</u>
CASH, END OF YEAR	<u>\$ 5,000</u>	<u>\$ 24,160</u>

See accompanying notes

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS OUT-OF-SCOPE EXTENDED HEALTH/ENHANCED DENTAL PLAN

Notes to the Financial Statements

December 31, 2010

1. DESCRIPTION OF PLAN

a) Effective Date

The Saskatchewan Association of Health Organizations (SAHO) Out-of-Scope Extended Health/Enhanced Dental Plan (the Plan) was established on April 1, 2000.

b) Purpose of the Plan

The purpose of the Plan is to enhance the coverage of eligible members for covered dental and health services. The Plan is a multi-employer benefit plan that is administered by SAHO on behalf of eligible employees of participating member organizations. An agreement has been entered into by the Plan with the Great-West Life Assurance Company (GWL) to provide eligible employees with extended health and enhanced dental coverages. The Plan pays premiums to GWL as set out in the agreement. GWL adjudicates and pays all benefit claims directly to the claimants. Any premium deficiency/surplus is accumulated at GWL and is reflected in future years changes to premium rates. Refer to the Plan Commentary for further information on the Plan.

c) Eligibility

The Plan is available to employees of the contributing member organizations and their immediate families with certain restrictions based on nature of employment and term of service. Refer to the Plan Commentary for further information on the Plans eligibility requirements.

d) Employers' and employees' contributions

The monthly contribution for the Plan consists of the following:

- \$80.00 per eligible full-time-equivalent employee for the Extended Health benefits;
- \$23.00 per eligible full-time-equivalent employee for the Enhanced Dental benefits; and
- 0.5% of straight-time salary.

Cost sharing between the employee and employer varies amongst the contributing member organizations.

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
OUT-OF-SCOPE EXTENDED HEALTH/ENHANCED DENTAL PLAN**

Notes to the Financial Statements

December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the following significant accounting policies:

a) Financial instruments

All financial instruments that are financial assets and financial liabilities have been identified and classified. The classification determines how each financial instrument is measured. The Plan's financial instruments and their classifications, which were determined by SAHO, as the administrator of the Plan, are as follows:

(i) Short term investments

Short term investments are classified as held-for-trading and are measured at fair value. The Plan's short term investments consist of units of a Canadian Treasury Management Fund (the Fund). Fair value of the Fund is determined based on the published quote for the Fund. The Plan selected held-for-trading classification as this reflects the Plan's investment intentions. Any changes in the fair value are recognized in the Statement of Operations and Net Assets.

Distributions from the Fund in the form of interest income are recognized in income as they are earned. Transaction costs are expensed as incurred.

(ii) Cash, Contributions and other receivable, Accounts payable, and Health and dental premiums payable

Cash is classified as held-for-trading and is recorded at fair value. Contributions and other receivable are classified as loans and receivables while accounts payable and health and dental premiums payable are classified as other liabilities. Each of these financial instruments is measured at amortized cost which approximates their fair value due to their short term nature.

b) Employers' and employees' contributions

Employers are billed premiums monthly. Premiums are recognized as revenue when due. Contributions received in advance are recorded as deferred revenue.

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS OUT-OF-SCOPE EXTENDED HEALTH/ENHANCED DENTAL PLAN

Notes to the Financial Statements

December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of estimates

The preparation of financial statements in conformity with GAAP requires the administrator to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimations.

d) Future accounting standards

The Accounting Standards Board (AcSB) requires all publicly accountable enterprises (PAE's) to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The AcSB has stated that pension plans (as defined below) are PAE's; however, it has mandated that these plans will follow Section 4600 *Pension Plans*, of the CICA Handbook, rather than the applicable IFRS standard.

Section 4600 *Pension Plans*, is effective for fiscal years beginning on or after January 1, 2011 and is to be applied retrospectively to all prior periods presented. The Section applies not only to pension plans but also to benefit plans with characteristics similar to pension plans that provide benefits other than pensions (for example, retiree health care and life insurance benefits, long-term disability plans, and master trusts). This new Section is applicable to the Plan for its fiscal year commencing on January 1, 2011. The adoption of this new Section is not expected to have a material impact on the financial statements of the Plan as the majority of the new items are disclosure related items.

3. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Credit risk

Credit risk arises from the potential for issuers of securities and counterparties to default on their contractual obligations.

Short term investments consist of an investment in a Canadian Treasury Management Fund (the Fund) that invests in Canadian dollar denominated debt instruments, such as treasury bills of Canadian governments, bankers' acceptance of Canadian chartered banks and commercial paper of corporations and/or trusts. The Plan requires a minimum credit rating of R1 mid or equivalent. Earnings in the Fund are reinvested. The portfolio is monitored continuously and reviewed regularly by SAHO's Board of Directors.

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
OUT-OF-SCOPE EXTENDED HEALTH/ENHANCED DENTAL PLAN**

Notes to the Financial Statements

December 31, 2010

3. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

a) Credit risk (continued)

The Plan's maximum credit risk exposure related to financial assets is as follows:

Cash	\$	5,000
Short-term investments		4,508,565
Contributions and other receivable		1,054,341
	\$	<u>5,567,906</u>

The Plan is exposed to minimal credit risk from the non-payment of contributions receivable of \$144,145 as they are due from related parties (Note 5) and are collected monthly. Also, the Plan is exposed to credit risk due to the potential non-payment of the receivable from GWL of \$910,196; however, the Plan does not consider this to be likely as GWL's recent credit rating is AA as rated by Standard & Poor's.

Determination of fair value

The best evidence of a fair value is from an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

- Level 1 – quoted prices in active markets are readily available.
- Level 2 – valuation models using observable market inputs other than quoted market prices.
- Level 3 – models using inputs that are not based on observable market data.

All fair values of the short term investments of the Plan at December 31, 2010 and December 31, 2009 used Level 1 basis of fair values.

b) Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
OUT-OF-SCOPE EXTENDED HEALTH/ENHANCED DENTAL PLAN**

Notes to the Financial Statements

December 31, 2010

3. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

due. This risk is managed by the Plan by investing in financial assets with a very short term to maturity. The financial liabilities, which are also short-term in nature, are due within one year. The Plan generally maintains positive cash flows generated from its operating activities and supplements any shortfalls from its short-term investment portfolio.

The estimated contractual maturities of the Plan's financial liabilities at December 31, 2010 are up to three months for accounts payable.

4. CAPITAL MANAGEMENT

The primary objective of capital management for the Plan is to maintain an adequate balance in its short term investments portfolio which is used to assist in achieving consistency and stability in funding and to pay the Plan's current and future expenses. The Plan is not subject to any externally imposed capital requirements.

The Plan's only source of cash is the contributions received from the employers that are enrolled in the Plan (see Note 1d for contribution rates). The contribution rate is reviewed regularly to ensure they support the expenditures of the Plan. Neither SAHO, as the administrator, nor the members contribute any other cash to the Plan. Also, the Plan cannot go to public capital markets to issue debt or common shares.

5. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties. The Plan is indirectly related to various Saskatchewan Crown Agencies such as ministries, corporations, boards, and commissions under the common control of the Government of Saskatchewan. The Plan is also indirectly related to non-Crown enterprises that the Government jointly controls or significantly influences. Transactions with these related parties are in the normal course of operations. They are recorded at the agreed upon exchange rates and are settled on normal trade terms.

Due to the nature of the Plan, substantially all of the employer contributions and employer contributions receivable are from related parties.

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
OUT-OF-SCOPE EXTENDED HEALTH/ENHANCED DENTAL PLAN**

Notes to the Financial Statements

December 31, 2010

5. RELATED PARTY TRANSACTIONS (continued)

Amounts owing to SAHO and the recorded amounts of these transactions and amounts due to or from other related parties as a result of the transactions referred to above, are included in the financial statements and in the following table:

	<u>2010</u>	<u>2009</u>
Contributions receivable	\$ 144,145	\$ 92,279
Contributions revenue	5,325,044	5,041,493
Accounts payable	9,285	10,125
Administrative expenses	85,373	75,275

In addition, the Plan pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all of its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

6. CONTINGENCY

Under the terms of the contract with GWL, in the event the contract is terminated, GWL is held harmless from any liability arising from benefit claims incurred but not reported to them by the termination date. In the administrator's opinion, it is unlikely that the Plan will be required to cover any such liability as the contract with GWL has been renewed for 2011.